

Written evidence submitted by the University of East Anglia (EUC0039)

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The group submitting this evidence are co-authors of an expert review funded by the ESRC's UK in a Changing Europe initiative, published in April (Burns *et al.* 2016). This review provided a detailed analysis of the academic evidence on how EU membership has influenced UK climate policies, systems of decision making and environmental quality, and how the situation might change in the event of a vote to 'leave' the EU.

Executive Summary

- The UK has played a strong role in the development of EU climate policy. Without its positive influence, more ambitious climate action would have been easier for opponents to block. Without the UK's diplomatic weight, the EU's capacity to help broker deals on the global stage, like the Paris Agreement, would have been diminished.
- Post-Brexit, the diplomatic capacity of both the UK and the EU in international climate negotiations looks likely to diminish. Without diplomatic resources being pooled and coordinated through the EU, mechanisms for UK-EU coordination could be devised that can to some extent make up for this loss.
- There are very strong uncertainties associated with the impact of Brexit on existing policy and governance. It is still too early to judge whether the UK will pursue (and obtain) a deal which would see it retain most EU environmental and climate policies (a 'Soft Brexit'), with less leeway to set its own targets, or a deal under which most EU policy ceases to apply (a 'Hard Brexit').
- We suggest that the government should work to keep the UK in the EU Emissions Trading System (ETS). This would avoid the time and cost involved in withdrawing from the system, and provide greater certainty to UK-based businesses it covers. The government should use any remaining opportunities to strengthen the EU ETS during the current Phase IV revisions.
- New flexibility mechanisms, including the possibility for Member States to count emission reductions taking place in another Member State towards their national targets, are currently being discussed at EU level. The UK's long-standing stated concern to achieve emission reductions cost-effectively would suggest that it could follow the Norwegian example and seek inclusion in these mechanisms, even outside the EU.

- Assuming that it has a degree of choice, the UK should prioritise overall policy coherence in deciding which EU policies and instruments to retain after Brexit.

In the following we address each of the committee's questions.

What role has the UK played within the EU in terms of driving the bloc's international climate change ambitions?

Climate protection (and the closely related energy policy field) is an area where a rather positive story about the effect of the UK's membership of the EU can be told, but which hardly featured during the referendum campaign. As the Committee's question acknowledges, in climate policy it has not simply been a story of 'what the EU has done for the UK', but of the broadly constructive influence that the UK has had at the European level and, largely through that, the international level.

The review referred to in our introductory remarks (Burns *et al.* 2016) highlights how UK and EU climate policies have co-evolved and reinforced one another in important respects, since the late 1990s (Rayner and Jordan 2016). The evidence suggests that the UK has influenced EU policy in terms of its overall greenhouse gas emission reduction ambition, the specific instruments it deploys, and the way it seeks to convince partners globally to adopt similarly ambitious targets. The UK has repeatedly advocated higher carbon emission reduction targets than most other Member States, most recently siding with the likes of Germany and France against countries such as Poland to secure a commitment to reducing greenhouse gas emissions from the EU by 'at least' 40% from 1990 levels, by 2030. The UK was also instrumental in the adoption of the EU Emissions Trading System (EU ETS), and in subsequent reforms that have sought to strengthen it. The UK has also made efforts to encourage the transfer of lessons from the EU's ETS experience to China and South Korea (Vezirgiannidou 2015).

The UK has also deployed its strong, worldwide diplomatic network and its wealth of diplomatic experience and expertise to great effect as part of the EU's efforts to secure agreements at the global level. Prominent examples include the Cartagena Dialogue for Progressive Action that served to build a broader international coalition on climate change in the 2010s (Oberthür 2016a), and the groundwork leading to the creation of the High Ambition Coalition at the 2015 UN climate summit in Paris.

Without the UK's positive influence in the EU's Council of Ministers, it is clear that it would have been easier for opponents to block ambitious climate action, weakening EU policy. Without the UK's diplomatic weight, the EU's capacity to help broker deals on the global stage, like the Paris Agreement, would have been diminished. It is also important to note, however, that at times the UK has resisted aspects of EU policy, preventing them from being adopted. For example, in the development of post-2020 EU policy, the UK successfully opposed the adoption of binding national renewable energy targets for 2030. Similarly, the non-binding nature of the 27% energy efficiency target for 2030 owes much to UK reluctance. Apart from cost considerations, this opposition to technology-specific targets

has been motivated by a desire to retain maximum flexibility over the best way to achieve decarbonisation.

What are the implications of the UK's exit from the EU on both the UK's and the EU's COP21 pledges? What will be the UK's future role within the United Nations climate change processes?

Our response to these questions are necessarily more speculative, since much depends on arrangements yet to be put in place. It is important to stress, however, that the referendum result has given no mandate for reducing the UK's level of ambition regarding decarbonisation, and that long-term UK targets associated with the 2008 Climate Change Act remain in place.

In terms of the new architecture put in place by the Paris Agreement, Brexit will require the UK's nationally determined contribution (NDC), and its relationship to the EU's NDC, to be clarified. In the run up to the Paris Agreement, the EU submitted its "intended" NDC (INDC) on behalf of all member states including the UK. Key legislation to implement this commitment has been proposed by the Commission assuming continued UK membership, and is due to be adopted in 2017 – before Brexit negotiations would likely be completed. This legislation may well include a UK 'effort sharing' target for emissions not covered by the EU ETS. Article 4.16 of the Paris Agreement requires the EU and its member states to notify their agreement to act jointly, including the distribution of specific emission levels to each of them, at the time of ratification (Oberthür 2016b).

Once the EU and its member states ratify, which is likely to be before the UK leaves the EU, the EU's NDC for 2030 will become official both for the member states (including the UK) and the EU (unless the EU, its member states and any other countries joining the EU "bubble" for the purposes of the Paris Agreement decide to notify a revised NDC at that point). The UK could then opt to complete the first 'cycle' of the Paris Agreement without modification. The decision over whether and how the UK and EU targets could subsequently diverge (during the Paris Agreement's second 'cycle') would not need to be decided until the 2023-2025 review (Elkerbout 2016), although the question could arise in the 2018-2020 review of NDCs for 2030. The UK could in theory take the opportunity of this 2018-2020 review to notify a strengthened UK national target, based on the Fifth Carbon Budget under the Climate Change Act adopted in June 2016. By this, the UK is committed to a 57% reduction on 1990 levels in 2028-30. Notifying such a strengthened target would not necessarily imply that the UK could not remain associated with the EU's NDC.

One scenario for the second cycle of the Paris Agreement is for the UK and the EU to reach an agreement on joint fulfilment, akin to that envisaged between the EU and Norway for 2030, Lichtenstein and Iceland. Alternatively, the UK could follow the example of Switzerland and Monaco, both non-EEA European states, who have each gone beyond the EU target for 2030.

Brexit is likely to have some effect on the timescale for EU decision-making on the instruments needed to implement its 2030 objectives. This could delay EU ratification of the Paris Agreement, which would be a blow to the EU's reputation as a climate leader. Decision

making was already going to take considerable time, making it quite possible that the Paris Agreement will have entered into force (when 55 countries, covering 55% of emissions have ratified) by the time the EU ratifies.¹ If the EU does not manage to ratify before late summer 2017, it may mean that it is denied full participation rights at the first conference of the Parties to the Paris Agreement that is likely to take place in late 2017. The best option may therefore be for the EU to ratify with the UK as a member state, leaving more detailed issues until later.

In terms of the UK's future role within the United Nations climate change processes the principal options would appear to be:

- *The 'Norwegian Option'*: As a member of EFTA or the EEA, the UK could continue to be closely aligned with EU international environmental policy. This outcome could occur through the UK associating itself formally with the EU's international policies (but without a place at the table of EU external decision-making). Alternatively, and perhaps more likely, the UK could (like Norway or Switzerland²) pursue objectives which are independent but nevertheless aligned relatively closely with those of the EU, owing to the fact that EEA status would mean applying much of the EU's legislation implementing international environmental agreements. Either way, both sides would likely lose international influence and diplomatic capability. Attempts to coordinate environmental diplomacy could be made, but these would presumably require considerable extra efforts. In any event, the UK would not have any formal say on relevant domestic and external EU policies. Without one of its key advocates for climate action, EU policies could be expected to change in substance as the balance of interests changes. To the extent that the domestic policies of the EU and the UK diverge over time, differences between the UK and the EU at the international level may also grow more significant and make coordination more cumbersome. However, the international reach of market-relevant EU legislation, reinforced by EEA/EFTA obligations, should to some extent limit this effect.
- *The 'Free Trade Option'*: Leaving the EU in such a way that eschews even an EFTA/EEA type arrangement (a 'hard' Brexit) would likely result in a more extreme lose-lose situation for the UK and the EU. As in the EFTA/EEA scenario, both the EU and the UK would significantly lose in diplomatic capability and international weight/influence (as their 'market' and 'regulatory power' would be diminished), for example vis-à-vis China, the US, Japan and others. But this effect would be more pronounced for the UK than for the EU. The UK would probably become an independent international player, entering into occasional alliances with the EU or others. The market and regulatory power of the EU would likely ensure a degree of alignment between UK and EU policies in certain areas. Over time, divergences (that

¹ Before the EU and its member states can jointly ratify the Paris Agreement, the EU and each member state have to complete their domestic procedures to enable them to do so (Oberthür 2016b).

² Switzerland, alongside Mexico, Liechtenstein, Monaco and the Republic of Korea, make up the Environmental Integrity group in international climate negotiations.

may not be great to start with) would be likely to grow as domestic policies, not limited by EFTA/EEA membership, increasingly develop in different directions.

What should be the Government's priorities on the EU Emissions Trading System when negotiating the UK's exit from the EU? What would a successful negotiation outcome look like?

Brexit's impact on the UK's participation in the EU Emissions Trading System is highly uncertain. Much depends on which model of Brexit eventually takes place. The UK could pursue and, EU negotiating partners permitting, eventually obtain, a 'Soft Brexit'. In this scenario, the UK would remain a full part of the EU ETS by joining the likes of Norway and Iceland in the European Economic Area (EEA). These countries implement many EU climate policy-related targets (the main exception being on 'effort sharing'), which are deemed 'EEA relevant' (Flückiger 2015). The alternative would be a 'Hard Brexit', in which most EU policy ceases to apply (Burns, Jordan, & Gravey 2016). Here, at least in principle the UK could follow the example of Switzerland, by setting up its own system and then negotiating a link to the EU ETS (Müller and Slominski 2015). Doing so may not be straightforward, however; the halting of Swiss plans when the EU suspended negotiations in response to the referendum decision to limit freedom of movement offers a salutary warning here.

Due to the fact that the UK is the second largest greenhouse gas emitter in the EU (European Environment Agency 2016, p. 9), a 'Hard Brexit' and withdrawal from the EU ETS may lead to an even lower carbon price, by further depressing demand for allowances (Elkerbout 2016). Combined with the significant time and effort required to devise a new UK ETS, we suggest that the government's priority should be to remain part of the EU ETS, using any remaining opportunities it has to strengthen the policy in the current round of revisions for its Phase 4 (European Commission 2015).

What should be the Government's priorities in deciding which EU-led climate policies and legislation to retain?

It is important to note how the question of which policies and legislation can or will be retained will be affected heavily by whether the UK becomes an EEA member, and that the decision over this crucial issue will be based on a wide range of factors. As noted above, current EEA members implement large parts of EU climate legislation, the main exception being the effort sharing decision. Because this exists to distribute the EU's collective target, while EEA/ EFTA States have their own targets, it is not deemed 'EEA relevant'.

However, for the 2021 to 2030 period, Norway intends to participate in non-ETS sector emission reduction effort (COM(2016) 482 final). One of the reasons that Norway and Iceland have initiated joint fulfilment of these objectives with the EU is to take advantage of 'flexibility mechanisms' that, for example, may give participating states the ability to count emission reductions in another member state towards their own national targets (Flückiger 2015). The UK's long-standing concern to achieve emission reductions cost-effectively would

suggest that it too could seek an arrangement of this kind once out of the EU, alongside continued involvement in the EU ETS.

Among the evaluation criteria applied by environmental and other policy analysts is the coherence of an overall package of measures, whereby negative interactions between policy instruments is minimized and synergies are promoted. Brexit may present opportunities to adjust the UK's policy portfolio with this objective in mind. For example, critics have pointed to the potentially perverse effect of high renewables targets, set for the UK by the Renewables Directive, as meeting them does not necessarily serve the goal of emission reduction. In this regard, the negative effects of importing high levels of biomass for co-firing in power stations and meeting targets in the transport sector through increased use of biofuels have been controversial (Evans 2016). However, in the revised directive targets for renewable energy for 2030 are no longer going to be set for the national level, lessening this as a potential concern, although it could still be an issue if the UK continues pursuing its target for 15% of energy consumption to come from renewables by 2020. In some cases, once outside the EU the UK could take advantage of greater flexibility over taxation arrangements to promote environmental objectives, e.g. by reducing VAT on energy efficient materials and products, something currently prevented by EU law.

In other sectors, the UK will need to maintain EU product regulations such as energy efficiency standards for white goods and vehicle emission limits because most products sold in the UK will continue to be the same ones sold in the rest of the EU.

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